GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:2968
ANSWERED ON:10.08.2001
VALUATION OF AIR INDIA AND INDIAN AIRLINES
RAMJI LAL SUMAN;SUSHIL KUMAR INDORA

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the decision to disinvest the Indian Airlines and Air India was followed by the valuation of these two companies;

(b) if so, the names of the institutions that have been assigned the job of valuation and the amount of remuneration paid to each of those institutions;

(c) the total worth valued for the above two companies, separately; and

(d) the reasons for selecting these particular institutions for valuation ?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a) The valuation of the business of both Indian Airlines and Air India has not yet been completed.

(b) Indian Airlines In the case of Indian Airlines, the business valuation would be carried out by the Advisors to the transaction, viz., ANZ Consortium (comprising ANZ Investment Bank Division in cooperation with Standard Chartered Grindlays Bank Limited Industrial Development of India and British Airways plc. acting through its Speedwing Division). On successful completion of the transaction, the Advisors would be paid a success fee, inclusive of all applicable taxes, equal to 0.294% of the sale proceeds from the disinvestment of the Company. The job of valuation of the assets of Indian Airlines has not yet been assigned to any valuer.

Air India The Advisors to the transaction, viz., JM Morgan Stanley Limited, would carry out the business valuation of Air India. On successful completion of the transaction, the Advisors would be paid a success fee, inclusive of all applicable taxes, equal to 0.30% of the sale proceeds from the disinvestment of the Company. Apart from the Advisors, two other reputed valuers would be appointed to carry out independent valuation of the Company. These two valuers have not yet been appointed.

Asset Valuation of the properties in India M/s V.K.Kharbanda & Associates has been appointed as the Asset Valuer for a lump sum fee of Rs. 3 lakhs (all inclusive).

Asset Valuation of the properties abroad The properties owned by Air India overseas (London-1, Singapore - 2, Mauritius-1, Nairobi-2, Paris-1 and Hong Kong-2) have been got valued by the valuers selected by the Indian Embassies / Consulates in the respective countries. The names of the valuers and the amount of fees paid for the valuation are detailed below : -

S.No.	Property Location	Name of the Valuer	Fees
1	London	M/s Michael Richman Property Services	Â£2,291.25(INR. 1,55,759)
2	Singapore	M/s Chesterton International	Singapore $ 1,545
3	Mauritius	M/s Raj Ramlackhan Valuation Consultant	Mauritius Rs.6000
4	Nairobi	M/s Mwaka Musau Consultants	Ksh.30,000/- (INR. 18,215/-)
5	Paris	M/s Geometre - Expert Foncier	FF 5,980.00 (INR.36,000.00)
6.	Hong Kong	FPD Savills (Hong Kong) Limited	HK$30,000.00(INR.1,81,000 approx.)

Valuation of Aircrafts In order to establish the fair market value of the fleet of aircraft (including spare engines) of Air India, M/s Boeing India of Boeing International Corporation and M/s Airbus Industries were separately requested to submit their valuation reports.No remuneration has been paid for the assignment.

(c) The total worth of Indian Airlines and Air India would be known only after completion of business valuation of the Companies.

(d) Selection of Advisors In the cases of both Indian Airlines and Air India, public advertisements were issued in national and international Newspapers/Magazines inviting Expressions of Interest from merchant/investment bankers for acting as Global Advisors for assisting the Government in the transactions. Both the Advisors were recommended for selection separately by the duly constituted Inter-Ministerial Groups (IMG) on the basis of the presentations made by the interested parties and their financial bids.

Selection of Asset Valuer Valuation of the properties of Air India Ltd. in India has been carried out by a Government approved Asset Valuer selected by an inter-ministerial Selection Committee, on the basis of presentations and financial bids.